

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 837 - SB 1869

March 15, 2011

SUMMARY OF BILL: Authorizes any student entering the 11th or 12th grade who spent the prior year attending a public high school to dual enroll at any eligible post-secondary institution. Eligible institutions include public and private universities. Sets requirements for students to receive course credit. Requires state funding appropriated through the Basic Education Program (BEP) funding formula to be allocated to pay for courses taken at post-secondary institutions. Funding for courses shall be the lesser of the actual cost of tuition, student fees, and supplies, or the state per pupil expenditure that would have been generated by the BEP if the student had enrolled in equivalent instructional programs in the local education agency (LEA). An administrative fee of \$200 shall be retained by the LEA. Prohibits eligible institutions from charging students in this program more than the funding amount. Requires the Department of Education to develop forms and counseling guidelines for this program and make forms and guidelines available to LEAs. Requires LEAs to inform students of the program and to provide counseling services before students enroll per guidelines established by the state Department of Education. The effective date of the bill is July 1, 2012.

ESTIMATED FISCAL IMPACT:

Decrease State Expenditures - \$5,018,300/FY12-13 and Subsequent Years

Increase Local Expenditures – Exceeds \$2,711,300 /FY12-13 and Subsequent Years*

Assumptions:

- Currently, there are approximately 15,400 students participating in the TSAC dual enrollment grant program. TSAC estimates that these students will be paid \$6,700,000 in Hope dual enrollment grants in FY10-11 and that the current program will grow five percent in number of students and expenditures each year.
- TSAC estimates that 70 percent of the students (10,780) come from a public high school. The cost of grants to these students is \$4,690,000.
- The current dual enrollment program pays \$300 for one course and \$600 for two courses. Based on cost estimates received from the Tennessee Higher Education Commission, the Tennessee Board of Regents, and the University of Tennessee, it is assumed that a majority of students are paying for some portion of their coursework out-of-pocket. BEP funding will pay for the entire tuition, fees, and supplies charged by eligible institutions.

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- All public school students currently participating in the dual enrollment program will shift to the BEP funding source. LEAs will make up this shift in BEP funding since not enough students will transfer from any one class to justify reducing local expenditures for teachers and fixed costs such as utilities.
- The BEP will pay for courses beginning in FY12-13.
- Public school students will increase program enrollment and costs by a total of 10 percent over two years. Seventy percent of this growth will be from public school students. Total expenditures will increase seven percent as a result of this growth ($10\% \times 70\% = 7\%$).
- In FY12-13, a total of 11,535 public school students will participate (10,780 current students plus seven percent growth [$10,780 \times 1.07 = 11,535$]).
- In FY12-13, expenditures for the program will be \$5,018,300 ($\$4,690,000 \times 1.07$).
- Though the full amount will be paid for courses by the BEP, LEAs will retain a \$200 administrative fee per student. If 11,535 students take courses in FY12-13, LEAs will retain \$2,307,000 ($\$200 \times 11,535$). It is assumed that LEAs will use this retention to partially offset the transfer in BEP funding to higher education institutions. LEAs will increase expenditures exceeding \$2,711,300 ($\$5,018,300 - \$2,307,000$) in FY12-13 and subsequent years to fund the difference not covered by the retention amount.
- Actual BEP expenditures will be based on where students are dually enrolled, which courses they take, the cost of supplies and course materials, the class format, and the number of courses.
- According to TSAC, money from the dual enrollment program that is unused will revert to the Lottery for Education Account. The decrease in state expenditures as a result of this bill will be \$5,018,300 beginning in FY12-13 and subsequent years.

**Article II, Section 24 of the Tennessee Constitution provides that: No law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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